

**2010 Arizona Corporation Income Tax Return (Short Form)**

Obtain additional information or assistance by calling one of the numbers listed below:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

Hearing impaired TDD user  
Phoenix (602) 542-4021

From area codes 520 and 928, toll-free (800) 397-0256

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's Internet home page at [www.azdor.gov](http://www.azdor.gov).

**Special Notice For 2009 Returns**

Arizona did not fully conform to federal tax law changes for 2009. This means that taxpayers may have to file an amended return for 2009. If any of the items listed below apply to you, your 2009 return is affected. If you have already filed your 2009 return, you must file an amended return to properly report these items.

The following is the list of items that Arizona did not conform to that may affect your 2009 return:

1. An election to exclude discharge of indebtedness income from the reacquisition of a business debt instrument on your 2009 federal return.
2. The exclusion of original issue discount on a debt instrument described in number 1 above from income on your 2009 federal return.
3. A cash gift made during 2010 to aid Haiti earthquake victims deducted on your 2009 federal return.

If you have already filed your 2009 return and any of items 1 through 3 above apply to you, you must amend your 2009 Arizona return.

To get a form or for more news on this topic, visit the department's web site at [www.azdor.gov](http://www.azdor.gov).

**General Instructions**

**Which Corporations Must File a Return**

Every corporation subject to the Arizona Income Tax Act of 1978 must file an Arizona corporate income tax return.

*NOTE: Homeowners associations described in IRC § 528 are not exempt from tax under ARS § 43-1201 [associations that file federal Form 1120-H or 1120]. These associations must file an Arizona corporate income tax return on Form 120A or Form 120. However, certain homeowners associations are federally tax exempt under IRC § 501(c)(4), as social welfare organizations or under IRC § 501(c)(7), as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes. These organizations may file Form 99.*

**Which Corporations May Use Form 120A**

The short form, Form 120A, is designed for corporate taxpayers with less complex filing requirements.

A corporation may use Form 120A if it files its return on a separate company (separate entity) basis and it is a "wholly Arizona corporation". A corporation that has income from business activity that is taxable entirely within Arizona is a "wholly Arizona corporation". A corporation files on a

separate company (separate entity) basis if: (1) it is not part of a group of corporations comprising a unitary business; or (2) it is not a member of an affiliated group that elected to file an Arizona consolidated return.

A corporation MUST USE Form 120 if: (1) it is a multistate corporation; or (2) it is a member of a unitary group of corporations that files an Arizona return on a combined basis; or (3) it is a member of an affiliated group of corporations that elected to file an Arizona consolidated return. A "multistate corporation" is a corporation that has income from business activity that is taxable in more than one state.

*NOTE: The corporation must file Form 120 if the corporation is: (1) a partner in a multistate partnership; or (2) a partner in a partnership with business activity conducted entirely outside Arizona.*

**Entity Classification Under the Federal "Check-the-Box Rules"**

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes. Refer to Arizona Corporate Tax Ruling CTR 97-1 for further information. An entity that is disregarded as an entity separate from its owner is included in the tax return of its owner.

**Limited Liability Companies**

Under the provisions of the Arizona Limited Liability Company Act, a limited liability company (LLC) is classified as a partnership, or as a corporation, or is disregarded as an entity as determined under the Internal Revenue Code as defined in ARS § 43-105. An LLC would file a return appropriate to its classification as a partnership, corporation, or a branch or division of its owner. Refer to Arizona Corporate Tax Ruling CTR 97-2 for further information.

**Electing Small Business Corporations**

Corporations taxed as S corporations under Subchapter S of the Internal Revenue Code must file Form 120S.

**Taxable Year Covered by Return**

File returns for the calendar year or fiscal year. Indicate the period covered by the taxable year on page 1 of the return and whether the taxable year is a calendar year or a fiscal year.

**Filing Original Returns**

Returns are due by the 15th day of the fourth month following the close of the taxable year. If the taxpayer has a valid federal or Arizona extension, file the return by the extended due date. If the taxpayer uses an extension, the taxpayer must check the extension box on page 1 of the return. Send the return to the Arizona Department of Revenue, PO Box 29079, Phoenix AZ 85038-9079. One or more of the following officers (president, treasurer, or any other principal officer) must sign the return. The department requests that taxpayers attach a copy of the completed federal return to the Arizona return. ARS § 42-1112 prescribes the schedules required to be included.

The department normally determines the timeliness of a return by the postmark or other official mark of the U.S. Postal Service stamped on the envelope in which the return is mailed. Refer to Arizona General Tax Ruling GTR 93-1 for further information. The department will also accept proof of mailing from a private delivery service included in the Internal

Revenue Service list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.

### **Rounding Dollar Amounts**

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

### **Treatment of Installment Obligations When Corporation Activities Cease**

If a corporation elects to report income from the sale or other disposition of property on the installment method, and does not report the entire amount of income from the sale before the year the corporation ceases to be subject to Arizona corporation income tax, the corporation must report the unreported income in the last year in which the corporation is subject to the tax. This provision does not apply if a reorganization transfers the installment obligation to another taxpayer subject to Arizona tax as the transferee. The transferee may not use its capital losses to offset income from the installment obligation transferred from a corporation no longer subject to the tax.

### **Estimated Tax Payments**

Corporations that expect an Arizona income tax liability for the taxable year of \$1,000 or more must make Arizona estimated tax payments. Use Form 120ES, *Corporation Estimated Tax Payment*. The required installments may be computed on Form 120W, *Estimated Tax Worksheet for Corporations*.

For exceptions to the estimated tax requirements, see the instructions for Form 220, *Underpayment of Estimated Tax by Corporations*.

A corporation that fails to make the required estimated tax payments is subject to a penalty on any estimated tax payment which is late or underpaid.

The Arizona required annual payment of corporate estimated tax is the smaller of:

- Ninety percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the current taxable year; or
- One hundred percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year.

**NOTE:** *In order for the taxpayer to base its Arizona corporate estimated tax payments on the prior taxable year's tax liability:*

- *The taxpayer's return filed for the prior taxable year must have shown at least some amount of tax liability (an amount greater than zero); and*
- *The taxpayer's return filed for the prior taxable year must have been for a period of twelve months.*

### **ESTIMATED TAX PAYMENTS BY ELECTRONIC FUNDS TRANSFER.**

Refer to ARS § 42-1129 and the related Arizona Administrative Code rules (AAC R15-10-301 through R15-10-307) for detailed information regarding electronic funds transfer.

Effective for taxable years beginning on or after January 1, 1997, taxpayers whose Arizona corporate income tax liability for the preceding taxable year was \$20,000 or more must make Arizona corporate estimated tax payments via the electronic funds transfer program. If the taxpayer makes its estimated tax payments by electronic funds transfer (EFT), the taxpayer should not submit Form 120ES to the department.

Taxpayers required to make estimated tax payments via electronic funds transfer must complete the department's electronic funds transfer authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was less than \$20,000 may elect voluntary participation in the electronic funds transfer program. Voluntary participants in the program must complete the department's electronic funds transfer authorization agreement at least 30 days prior to the first applicable transaction.

**NOTE:** *For reporting periods beginning from and after February 28, 2011, taxpayers required to make corporate estimated payments via EFT that fail to do so will be subject to a penalty of 5%. See ARS § 42-1125(O).*

### **ESTIMATED TAX PAYMENTS VIA THE INTERNET.**

Taxpayers must be licensed by the Department of Revenue before they can register to pay taxes online. Visit [www.aztaxes.gov](http://www.aztaxes.gov) to register and make estimated tax payments over the internet. If a taxpayer makes its estimated tax payments via the internet, the taxpayer should not submit Form 120ES to the department.

#### Electronic payment from checking or savings account

Estimated tax payments can be made electronically from a checking or savings account. Visit [www.aztaxes.gov](http://www.aztaxes.gov) and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

#### Credit card payment

Estimated tax payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit [www.aztaxes.gov](http://www.aztaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

### **Extension of Time to File a Return**

A request for an Arizona extension of time to file a corporate income tax return is made by filing a completed Form 120EXT by the original due date of the return. The taxpayer can use a valid federal extension rather than applying for an Arizona extension. Form 120EXT must be used to transmit extension payments via check or money order, whether the taxpayer uses a valid federal extension or requests an Arizona extension. Taxpayers that make extension payments over the internet need not file Form 120EXT unless an Arizona extension is being requested. If the taxpayer files under extension, the taxpayer must check the extension box on page 1 of the return. The taxpayer must pay 90 percent of the tax liability (including the \$50 minimum tax) by the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments.

The department grants an Arizona extension for a period of six months. Arizona law provides that six months is the maximum extension of time to file that the department may grant. However, Arizona law provides that the department may accept the federal extension for the same period of time as covered by the federal extension.

Either the Arizona or federal extension provide an extension of time to file, but do not provide an extension of time to pay.

### Penalties and Interest

**A. Late Filing Penalty.** A return filed after the original due date is subject to the late filing penalty unless the taxpayer has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4½ percent (.045) of the amount of tax required to be shown on the return. "Amount of tax required to be shown on the return" is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25 percent of the tax found to be remaining due.

**B. Extension Underpayment Penalty.** The taxpayer must pay 90 percent of the tax liability disclosed by the taxpayer's return on or before the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments. The extension underpayment penalty is one-half of one percent (.005) of the tax not paid. The penalty period is each 30 day period or fraction thereof between the original due date of the return and the date the taxpayer paid the tax. The maximum penalty is 25 percent of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty prescribed under ARS § 42-1125(D).

**C. Late Payment Penalty.** The department imposes the late payment penalty on any amount shown as tax on a return that is not paid by the date prescribed for its payment. "Amount of tax shown on the return" is the amount of tax imposed shown on the return less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The late payment penalty is one-half of one percent (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10 percent of the unpaid tax.

**NOTE:** *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25 percent.*

Refer to Arizona Corporate Income Tax Ruling CTR 09-1 regarding the application of penalties to returns filed under extension.

**D. Interest.** The department assesses interest on any portion of the tax, whether determined by the department or the taxpayer, not paid by the date prescribed for its payment. The department applies interest, compounded annually, in the same manner and at the same times as prescribed by IRC § 6621 with the following exception. **Exception:** The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate under IRC § 6621(a)(2) [the federal short-term rate, determined pursuant to IRC § 6621(b), plus three percentage

points]. On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

**E. Underpayment of Estimated Tax Penalty.** The department imposes the underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Form 220 for further details. The penalty imposed is the penalty prescribed by ARS § 43-582 for the applicable period.

### Furnishing Data

The department requests that taxpayers attach a copy of the completed federal return (along with all schedules and attachments) to the Arizona return. ARS § 42-1112 prescribes the schedules required to be included.

Do not send in a blank Arizona return with a copy of the federal return; the return will not process accurately. Taxpayers must furnish complete data. Answer all questions on the return. Complete all applicable schedules. Also, attach all appropriate supplementary schedules.

### Filing Amended Returns

Any taxpayer who files an amended return with the Internal Revenue Service must file an Arizona amended return on Form 120X within 90 days of its final determination by the IRS.

The taxpayer must report changes or corrections of the taxpayer's taxable income by the Internal Revenue Service or as the result of renegotiation of a contract or subcontract with the United States to the department. The taxpayer must, within 90 days after the final determination of the change or correction, either:

- File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or
- File an amended return as required by the department.

The taxpayer must include additional schedules that provide sufficient information for the department to recompute the taxpayer's Arizona taxable income based on the Revenue Agent Report changes. The department may require the taxpayer to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.

Do not file an amended return until the original return has been processed.

### Records

Every corporation should maintain books and records substantiating information reported on the return and keep these documents for inspection. Arizona General Tax Ruling GTR 96-1 discusses the general requirements for the maintenance and retention of books, records, and other sources of information received, created, maintained, or generated through various computer, electronic, and imaging processes and systems. Refer to this tax ruling for further information.

### Use of Federal Figures

**CALCULATION OF ARIZONA TAXABLE INCOME:** a corporation must compute its federal taxable income and make the adjustments required by Arizona law. (Refer to Article 3, Chapter 11, Title 43, of the Arizona Revised Statutes.)

**IRC § 7519 Required Payments**

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

**Specific Instructions**

Type or print the required information in the name, address, and information boxes on the top of page 1. Indicate the period covered by the taxable year on page 1 of the return and whether the taxable year is a calendar year or a fiscal year.

Enter the corporation's employer identification number, which is the taxpayer identification number (TIN). Enter the corporation's Arizona transaction privilege tax number. If the corporation does not have an Arizona transaction privilege tax number, leave the box blank.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). Taxpayers that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's social security number or preparer identification number or the employer identification number of the business. Paid tax return preparers that fail to include their TIN may be subject to a penalty.

**Arizona Taxable Income Computation****Line 1 - Taxable Income per Federal Return**

Enter taxable income as reported on the federal income tax return filed with the Internal Revenue Service.

**Line 2 - Additions to Taxable Income**

Enter total adjustments from page 2, Schedule A, line A11. See instructions for Schedule A.

**Line 4 - Subtractions From Taxable Income**

Enter total adjustments from page 2, Schedule B, line B12. See instructions for Schedule B.

**Line 5 - Adjusted Income**

Subtract line 4 from line 3 and enter the difference.

**Line 6 - Arizona Basis Net Operating Loss Carryforward**

If the corporation incurred net operating losses in prior taxable years, the corporation can apply these losses against current Arizona income. A net operating loss carryforward applies to the next five succeeding taxable years, subject to certain adjustments and rules. This amount should not exceed the amount on line 5. Attach a separate schedule showing the computation of the net operating loss carried forward.

**Arizona Tax Liability Computation****Line 8 - Arizona Tax**

Multiply the Arizona taxable income (page 1, line 7) by 6.968 percent. If the computed amount of tax is less than \$50, enter the minimum tax of \$50. Every corporation required to file a return shall pay a \$50 minimum tax in accordance with A.R.S. § 43-1111.

**Line 9 - Tax From Recapture of Tax Credits**

Enter the amount of tax due from recapture of the environmental technology facility and healthy forest enterprises tax credits from Form 300, Part II, line 23.

**Line 10 - Subtotal**

Add lines 8 and 9. This is the amount of tax to which the Clean Elections Fund tax reduction and the total amount of tax credits claimed by the taxpayer may be applied.

**Line 11 - Clean Elections Fund Tax Reduction**

Check box 11A to send five dollars to the Clean Elections Fund and reduce the tax amount on line 10 by five dollars. Enter the amount of the tax reduction (five dollars) on line 11.

**Line 12 - Nonrefundable Tax Credits**

Enter the allowable nonrefundable tax credit amount from Form 300, Part II, line 45. This amount cannot be larger than the amount on line 10 less the amount on line 11.

- **Defense Contracting Credits.** Taxpayers may claim carryovers of unused tax credits from taxable years 2006 and prior. The carryovers may be carried forward until tax year 2011. Complete Form 302 to claim the carryover of these tax credits.
- **Enterprise Zone Credit.** Taxpayers located in an enterprise zone may claim a credit for net increases in qualified employment positions. Complete Form 304 to claim this tax credit.
- **Environmental Technology Facility Credit.** This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility as described in ARS § 41-1514.02. Complete Form 305 to claim this tax credit.
- **Military Reuse Zone Credit.** This tax credit is for net increases in employment of full-time employees working in a military reuse zone established under Arizona law. Complete Form 306 to claim this tax credit.
- **Credit for Increased Research Activities.** This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. The credit applies to taxable years beginning from and after December 31, 2000. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Department of Commerce. Be sure to enter only the nonrefundable portion on line 12. Complete Form 308 to claim this tax credit.
- **Pollution Control Credit.** This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. Complete Form 315 to claim this tax credit.
- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.** This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the Arizona transaction privilege tax was passed through to the taxpayer by the seller as an added charge or that the seller collected the Arizona use tax from the taxpayer or that the taxpayer paid the Arizona use tax to the department. Complete Form 318 to claim this tax credit.

- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** This tax credit is for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 319 to claim this tax credit.
- **Credit for Employment of TANF Recipients.** This tax credit is for net increases in qualified employment of Arizona resident recipients of the federal Temporary Assistance for Needy Families. Complete Form 320 to claim this tax credit.
- **Agricultural Pollution Control Equipment Credit.** This tax credit is for expenses incurred during the taxable year to purchase tangible personal property that is primarily used in the taxpayer's business in Arizona to control or prevent agricultural pollution. Complete Form 325 to claim this tax credit.
- **Credit for Donation of School Site.** This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Form 331 to claim this tax credit.
- **Credit for Healthy Forest Enterprises.** This tax credit is for net increases in qualified employment positions in a healthy forest enterprise. Use Form 332 to claim this tax credit.
- **Credit for Employing National Guard Members.** This credit is for employers who have an employee that is a member of the Arizona National Guard if the employee is placed on active duty. Use Form 333 to claim this tax credit.
- **Motion Picture Credits.** Two transferable tax credits exist related to motion pictures. Motion picture production companies that produce motion pictures, commercials, music videos, or television series completely or partially in Arizona may claim a tax credit for production costs. A tax credit for investments in motion picture infrastructure projects in Arizona is also available. Use Form 334 to claim these credits.
- **Credit for Corporate Contributions to School Tuition Organizations.** This credit is for corporations who make contributions to school tuition organizations which provide scholarships and tuition grants to children attending qualified nongovernmental schools. Use Form 335 to claim this tax credit.
- **Credit for Solar Energy Devices - Commercial and Industrial Applications.** This credit is available to taxpayers that install solar energy devices for commercial, industrial, or any other nonresidential purpose in the taxpayer's trade or business located in Arizona. The taxpayer or an exempt organization may transfer the credit to a third party that either financed, installed, or manufactured the qualifying solar energy device. Use Form 336 to claim this tax credit.
- **Credit for Water Conservation System Plumbing Stub Outs.** This tax credit is for the installation of water conservation system plumbing stub outs in houses or dwelling units constructed by the taxpayer. The

houses or dwelling units must be located in Arizona. Complete Form 337 to claim this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities.** This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Use Form 341 to claim this credit.

Complete the appropriate credit forms for each credit. Attach the completed credit forms to the tax return with Form 300.

**Line 13 - Credit Type**

Indicate which nonrefundable tax credits were claimed on line 12 by writing the applicable form number(s) in the space provided.

Nonrefundable Income Tax Credit	Form
Defense Contracting Credits	302
Enterprise Zone Credit	304
Environmental Technology Facility Credit	305
Military Reuse Zone Credit	306
Credit for Increased Research Activities	308
Pollution Control Credit	315
Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	318
Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
Credit for Employment of TANF Recipients	320
Agricultural Pollution Control Equipment Credit	325
Credit for Donation of School Site	331
Credit for Healthy Forest Enterprises	332
Credit for Employing National Guard Members	333
Motion Picture Credits	334
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Water Conservation System Plumbing Stub Outs	337
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities	341

**Line 14 - Arizona Tax Liability**

Subtract the sum of lines 11 and 12 from line 10. Line 14 cannot be a negative amount.

**Line 15 - Clean Elections Fund Tax Credit**

A taxpayer may claim a tax credit on the 2010 tax return for:

- A donation made directly to the Clean Elections Fund during the taxable year 2010; and/or
- A donation made to the Clean Elections Fund on the taxpayer's 2009 tax return.

The 2010 tax credit is equal to the amount of the donation(s), but cannot exceed twenty percent of the tax on line 14 or six hundred forty dollars, whichever is higher.

A taxpayer may not claim a tax credit on the 2010 tax return for a donation to the fund made with the 2010 tax return. If a taxpayer makes a donation to the fund on the 2010 tax return, the taxpayer may only claim a tax credit for the donation on the taxpayer's 2011 tax return. The tax credit is nonrefundable and cannot be carried forward.

**Calculation of 2010 Clean Elections Fund Tax Credit**

1.	Enter the amount donated directly to the fund during the taxable year 2010 PLUS the amount donated to the fund with the 2009 Form 120A.	\$	00
2.	Enter tax from 2010 Form 120A, line 14.	\$	00
3.	Multiply amount on line 2 by 20 percent (.20).	\$	00
4.		\$	640 00
5.	Enter the larger of line 3 or line 4.	\$	00
6.	Enter the smaller of line 1, line 2, or line 5 here and on 2010 Form 120A, line 15.	\$	00

**Tax Payments****Line 17 - Refundable Tax Credits**

Check the box marked 308 or 342 to indicate which of these tax credits the taxpayer is claiming. Enter the amount of the credit claimed on line 17.

**Credit for Increased Research Activities.** A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Department of Commerce. The refundable credit applies to taxable years beginning from and after December 31, 2009. Attach your "Certificate of Qualification" from the Department of Commerce and Form 308 to your return. Enter the amount from Form 308, Part V, line 37.

**Credit for Renewable Energy Industry.** This tax credit is for expanding or locating qualified renewable energy operations in Arizona and is refundable in five equal annual installments. Preapproval and postapproval are required through the Department of Commerce. Attach your "Certificate of Qualification" from the Department of Commerce and Form 342 to your tax return to claim this credit. Enter the amount from Form 342, Part IV, line 12.

If you are claiming both tax credits, check both boxes and add the amounts from the credit forms together and enter the total on line 17.

**Line 18 - Extension Payment**

Enter the amount of the extension payment made by check or money order with Form 120EXT or made over the internet at [www.aztaxes.gov](http://www.aztaxes.gov).

**Line 19 - Estimated Tax Payments**

Enter the total amount of estimated tax payments made during the taxable year (including the application of overpayment from 2009).

**Line 20 - Total Payments**

Add lines 17, 18 and 19. Enter the total.

**NOTE FOR CLAIM OF RIGHT RESTORATION:** *If the tax for the taxable year 2010 was computed under the provisions for a claim of right restoration, line 20 also includes the credit for the tax reduction for prior taxable year(s). See Arizona Corporate Tax Procedure CTP 95-3 for further information. Write "ARS § 43-1130.01" and the total amount of the tax reduction for prior taxable year(s) in the space to the left of the total payment amount entered on line 20. The amount entered on line 20 is the total of lines 17, 18 and 19 and the tax reduction for prior taxable year(s). Attach a schedule computing the tax reduction for the prior taxable year(s).*

**Computation of Total Due or Overpayment****Line 21 - Balance of Tax Due**

If the amount on line 16 is **larger** than the amount on line 20, there is a balance of tax due. Subtract line 20 from line 16 and enter the difference.

**Line 22 - Overpayment of Tax**

If the amount on line 20 is **larger** than the amount on line 16, there is an overpayment of tax. Subtract line 16 from line 20 and enter the difference.

**Line 23 - Penalty and Interest**

Calculate any penalty and interest due as a result of late filing, late payment of tax or extension underpayment of tax. Calculate interest on the amount shown on line 21 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section beginning on page 3 of these instructions.

Do not include or enter the amount from Form 220.

**Line 24 - Estimated Tax Underpayment Penalty**

The taxpayer does not have to complete Form 220, *Underpayment of Estimated Tax by Corporations*, if the taxpayer made its estimated tax payments based on either of the following methods:

- An amount equal to 90 percent of the current taxable year's tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable), paid in four equal installments; or
- An amount equal to 100 percent of the taxpayer's tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year, paid in four equal installments.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the taxpayer of any amount due. If the taxpayer elects to have the department compute the penalty, do not check box 24A or enter an amount on line 24.

The taxpayer must complete Form 220, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- The annualized income installment method; or
- The adjusted seasonal installment method; or
- The taxpayer is a large corporation that computed its first required installment based on the taxpayer's tax liability for the prior taxable year.

Enter the total penalty from Form 220, Part C, line 37. Attach the completed Form 220 to the return **and** check box 24A.

**Line 25 - Donation to Citizens Clean Elections Fund**

Enter the amount of the donation to the fund made with this return.

**Line 26 - Total Due**

If the taxpayer had a balance of tax due on line 21, add lines 21, 23, 24, and 25, and enter the total on line 26. This is the total amount due. Payments can be made via check, electronic check, money order, or credit card.

**Check or money order**

Make checks payable to Arizona Department of Revenue. Write the taxpayer's EIN on the front of the check or money order. Include the check or money order with the return.

**Internet Payments**

Corporate taxpayers must be licensed by the Department of Revenue before they can register to pay taxes online. Visit [www.aztaxes.gov](http://www.aztaxes.gov) to register and make payments over the internet.

**Electronic payment from checking or savings account**

Payments can be made electronically from a checking or savings account. Visit [www.aztaxes.gov](http://www.aztaxes.gov) and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Credit card payment**

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit [www.aztaxes.gov](http://www.aztaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Line 27 - Overpayment**

If the taxpayer had an overpayment of tax on line 22, subtract the total of lines 23, 24, and 25 from line 22. Enter a positive difference on line 27. This is the total overpayment. If the difference is negative, enter the difference as a positive number on line 26.

**Line 28 - Overpayment Applied to Estimated Tax**

The taxpayer may apply part or all of an overpayment reported on line 27 as a 2011 estimated tax payment. Enter the applicable amount on line 28.

**Line 29 - Refund**

Subtract line 28 from line 27 and enter the difference. This is the net refund amount.

**Schedule A - Additions to Taxable Income**

On lines A1 through A10 of Schedule A, enter all income taxable under Arizona law that is exempt for federal tax purposes. Also, enter all deductions allowed under federal law that are not allowed under Arizona law.

**Line A1 - Total Federal Depreciation**

Enter total amount of depreciation deducted on the federal return. Do not include depreciation included on line A8.

**Line A2 - IRC § 179 Expense in Excess of Allowable Amount**

Enter the amount of IRC § 179 expense deducted on the federal return that exceeds \$25,000.

**Line A3 - Taxes Based on Income**

Enter the amount of taxes based on income paid to states (INCLUDING ARIZONA), to foreign governments, or to their political subdivisions included in federal taxable income.

**Line A4 - Interest on Obligations**

Enter the amount of federally tax exempt interest income on obligations of any state or foreign government, or their political subdivisions (except Arizona).

All taxpayers, except financial institutions as defined in ARS § 6-101, must reduce the amount of interest income by certain expenses. Reduce the amount of interest income by the amount of any interest on indebtedness and other related expenses incurred or continued to purchase or carry those obligations that were not otherwise deducted or subtracted in the computation of Arizona gross income.

**Line A5 - Federal Special Deductions**

Enter the special deductions claimed on the federal tax return for dividends received pursuant to IRC §§ 243, 244, and 245.

**Line A6 - Federal Net Operating Loss**

Enter the federal net operating loss deduction claimed on the federal tax return.

**Line A7 - Domestic International Sales Corporations**

Enter commissions, rentals, and other amounts paid or accrued to a Domestic International Sales Corporation (DISC) controlled by the payor corporation. Make this adjustment if the DISC does not have to report its taxable income to Arizona because its income is not derived from or attributable to sources within Arizona. "Control" means direct or indirect ownership or control of 50 percent or more of the voting stock of the DISC by the payor corporation.

No addition is required if the DISC transactions comply with the IRC § 994 inter-company pricing provisions.

**Line A8 - Capital Investment by Certified Defense Contractor**

- **Federal Depreciation or Deduction for Cost of Capital Investment**

If the taxpayer was a certified defense contractor that previously elected to amortize capital investments in accordance with ARS § 43-1024, enter the amount of IRC § 167 depreciation or IRC § 179 expense deducted in calculating federal taxable income that was not already included on line A1. This adjustment must continue until the property is completely depreciated, otherwise disposed of, or the taxpayer opts out of the election. This adjustment should not be made for property placed in service after the certification expired.

- **Gain on Sale of Capital Investment**

Enter the amount of gain from the sale or other disposition of a capital investment which a certified defense contractor elected to amortize pursuant to ARS § 43-1024.

**Line A9 - Additions Related to Arizona Tax Credits**

Enter on line A9 the following additions to federal taxable income that are related to Arizona tax credits. Attach a schedule detailing these additions.

**A. Environmental Technology Facility Credit**

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the facility over depreciation or

amortization computed on the Arizona adjusted basis of the facility. Make this adjustment for the facility for which the taxpayer claimed a tax credit under ARS § 43-1169.

- **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the facility exceeds the Arizona adjusted basis of the facility. Make this adjustment if the facility or any component of the facility for which the taxpayer claimed a tax credit under ARS § 43-1169 was sold or otherwise disposed of during the taxable year.

**B. Pollution Control Credit**

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit under ARS § 43-1170.

- **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the taxpayer claimed a tax credit under ARS § 43-1170 was sold or otherwise disposed of during the taxable year.

**C. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

Enter the amount of expenses deducted pursuant to the Internal Revenue Code for which the taxpayer claimed the credit for taxes paid for coal consumed in generating electrical power, in Arizona, under ARS § 43-1178. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of federal taxable income for which a tax credit is claimed.

**D. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

Enter the amount of expenses deducted in computing federal taxable income for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets for which the taxpayer claimed a tax credit under ARS § 43-1176.

**E. Credit for Employment of TANF Recipients**

Enter the amount of wage expenses deducted pursuant to the Internal Revenue Code for which the taxpayer claimed a tax credit under ARS § 43-1175.

**F. Agricultural Pollution Control Equipment Credit**

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit under ARS § 43-1170.01.

- **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the taxpayer claimed a tax credit under ARS § 43-1170.01 was sold or otherwise disposed of during the taxable year.

**G. Credit for Donation of School Site**

Enter the amount deducted pursuant to the Internal Revenue Code representing a donation of a school site for which the taxpayer claimed a tax credit for donation of school site under ARS § 43-1181.

**H. Motion Picture Credits**

These credits are in lieu of any allowance for deduction of expenses related to the production, infrastructure project or related to a transferred credit. Enter the amount of any such expenses that were deducted in computing federal taxable income for which a tax credit was claimed or transferred under ARS §§ 43-1163 or 43-1163.01.

**I. Credit for Corporate Contributions to School Tuition Organizations**

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed under ARS § 43-1183.

**J. Credit for Water Conservation System Plumbing Stub Outs**

Enter the amount of expenses deducted in computing federal taxable income for the installation of water conservation system plumbing stub outs for which the taxpayer claimed a tax credit under ARS § 43-1182.

**K. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities**

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed under ARS § 43-1184.

**Line A10 - Other Additions to Federal Taxable Income**

Enter on line A10 the following "other additions" to federal taxable income. Attach a schedule detailing these additions.

**A. Excess of Partner's Share of Partnership Taxable Income or Loss**

Enter the excess of a partner's share of partnership taxable income included under ARS §§ 43-1401 through 43-1413 over the partner's share of income reported under IRC § 702(a)(8). Enter the excess of a partner's share of partnership losses determined according to IRC § 702(a)(8) over the losses allowable under ARS §§ 43-1401 through 43-1413.

**Wholly Arizona partnership** - If the amount on Form 165, Schedule K-1(NR), Part II, line 17, column (c), is positive, enter that amount here.

**Multistate partnership or partnership with business activity conducted entirely outside Arizona** - THE CORPORATION MUST FILE FORM 120.

**B. Federal Exploration Expenses**

Enter the amount of IRC § 617 exploration expenses in excess of \$75,000 and the amount of such expenses deferred not in excess of \$75,000.

**C. Contributions**

Enter the amount of IRC § 170 contributions to an educational institution which denies admission, enrollment, or board and room accommodations on the basis of race, color, or ethnic background. Do not include contributions to institutions primarily established for the education of American Indians.



**D. Federal Amortization or Depreciation for Facilities and Equipment Amortized Under Arizona Law**

Enter the amount of amortization or depreciation deducted pursuant to the Internal Revenue Code for the following:

- **Pollution Control Devices** - if the taxpayer made an election to amortize pursuant to ARS § 43-1129.
- **Child Care Facilities** - if the taxpayer made an election to amortize pursuant to ARS § 43-1130.

**E. Expenses and Interest Relating to Income Not Taxed by Arizona**

Enter expenses and interest relating to income not taxed by Arizona. Refer to ARS § 43-961(5) or ARS § 43-1121(4).

**F. Arizona Income Tax Refunds**

Enter the amount of any Arizona income tax refunds received, to the extent that the refunds are not included in Arizona gross income, if a tax benefit was derived by the deduction of the taxes in a prior taxable year.

**G. Federal Income Tax Refund**

Enter the amount of any federal income tax refund for a prior taxable year that resulted in a tax benefit for Arizona income tax purposes. Include any federal Form 1139 refunds received that resulted in a tax benefit for Arizona tax purposes. This applies to refunds of federal income tax from taxable years beginning before January 1, 1990, in which the federal income tax subtraction was claimed in the computation of Arizona taxable income.

**H. Claim of Right Adjustments**

- **Amounts Repaid in Current Taxable Year**

Enter the amount of the deduction claimed under IRC § 1341(a)(4), for restoration of a substantial amount held under a claim of right, which was included in the computation of Arizona gross income.

- **Excess Federal Capital Loss Carryover Under a Claim of Right Restoration**

Enter the amount by which a capital loss carryover allowable pursuant to IRC § 1341(b)(5) exceeds the capital loss carryover allowable pursuant to ARS § 43-1130.01(F).

**I. Deferred Discharge of Indebtedness Income**

Enter the addition to income resulting from Arizona not adopting the federal deferral of income arising from business indebtedness discharged by reacquisition of a debt instrument elected by the taxpayer under IRC § 108(i). In years when the Internal Revenue Code requires the inclusion of this income, a subtraction from income will be allowed in "other subtractions" to prevent the income from being taxed twice.

**NOTE:** *If the taxpayer had this adjustment for 2009 and did not include it on the taxpayer's original corporate income tax return as an "other addition", the taxpayer must file an amended return and make this adjustment on the "additions" line of the Arizona amended return (2009 Arizona Form 120X).*

**J. Exclusion of Deduction for Original Issue Discount**

Enter the amount of the federal allowance of the original issue discount previously taken as a deduction for Arizona as a result of Arizona not adopting the provisions of the federal American

Recovery and Reinvestment Act of 2009. For Arizona, the deduction was allowed in 2009 and 2010. The taxpayer is required to add back the federal inclusion to prevent taking the deduction twice.

**Schedule B - Subtractions From Taxable Income**

On lines B1 through B11 of Schedule B, enter all income which is exempt from Arizona tax which is taxable under federal law. Also, enter any deduction allowed under Arizona law which is not deductible for federal tax purposes.

**Line B1 - Recalculated Arizona Depreciation**

Enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the taxpayer had elected not to claim bonus depreciation for eligible properties for federal purposes. Do not include amortization included on Line B10.

**Line B2 - Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

When property is sold or otherwise disposed of during the taxable year and the taxpayer who has complied with the requirement to add back all depreciation with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. (Note: The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.)

**Line B3 - Adjustment for IRC § 179 Expense Not Allowed**

Enter the total of 20% of the amount entered on line A2 and 20% of each addition made for IRC § 179 expense in 2006, 2007, 2008, and 2009.

**Line B4 - Dividends From Controlled Domestic Corporations**

Enter dividend income received from a domestic corporation owned or controlled, directly or indirectly, by the recipient corporation.

"Control" means direct or indirect ownership or control of 50 percent or more of the voting stock of the payor corporation by the recipient corporation. Dividends shall have the meaning provided in IRC § 316.

**NOTE:** *Do not include IRC § 78 dividend income on line B4.*

**Line B5 - Foreign Dividend Gross-up**

Enter IRC § 78 ("gross-up") dividends.

**Line B6 - Dividends From Foreign Corporations**

Enter the dividend income received from foreign corporations as defined in ARS § 43-1101(5).

**Line B7 - Dividends From DISC**

Enter any income from a Domestic International Sales Corporation (DISC) which federal law requires its shareholders to include in income. Refer to IRC § 995.

**Line B8 - Interest on U.S. Obligations**

Enter the interest on U.S. obligations not taxed by Arizona, but subject to federal tax.

**Line B9 - Agricultural Crops Contributed to Charitable Organizations**

Enter the amount of the allowable subtraction for qualified crop contributions made during the taxable year to one or more Arizona tax exempt charitable organizations for use in Arizona. Refer to Arizona Individual Income Tax Procedure ITP 93-2 for information on how to determine if the contribution qualifies for the subtraction.

**Line B10 - Capital Investment by Certified Defense Contractor**

- **Arizona Amortization of Cost of Capital Investment**

If the taxpayer was a certified defense contractor that previously elected to amortize capital investments in accordance with ARS § 43-1024, enter the amount allowed by ARS § 43-1024 that was not already included on line B1, for assets placed in service while certified. This adjustment must continue until the property is completely depreciated, otherwise disposed of, or the taxpayer opts out of the election. This adjustment should not be made for property placed in service after the certification expired.

- **Gain on Sale of Capital Investment**

Enter the amount of gain included in federal taxable income on the sale or other disposition of a capital investment. Make this adjustment if a certified defense contractor elected to amortize the capital investment pursuant to ARS § 43-1024.

**Line B11 - Other Subtractions From Federal Taxable Income**

Enter on line B11 the following "other subtractions" from federal taxable income. Attach a schedule detailing these subtractions.

**A. Arizona Capital Losses**

Enter net capital losses up to \$1,000 which are deductible for Arizona tax purposes but are not deductible for federal tax purposes. Arizona law allows this subtraction for an Arizona capital loss carryover only from taxable years beginning before January 1, 1988.

**B. Refunds of Taxes Based on Income**

Enter any refunds from states (INCLUDING ARIZONA) and from foreign governments or their political subdivisions included in federal taxable income.

**C. Excess of Partner's Share of Partnership Income or Loss**

Enter the excess of a partner's share of income included under IRC § 702(a)(8) over the income included under ARS §§ 43-1401 through 43-1413. Enter the excess of a partner's share of partnership losses determined according to ARS §§ 43-1401 through 43-1413, over the losses allowable under IRC § 702(a)(8).

**Wholly Arizona partnership** - If the amount on Form 165, Schedule K-1(NR), Part II, line 17, column (c), is negative, enter that amount here.

**Multistate partnership or partnership with business activity conducted entirely outside Arizona** - THE CORPORATION MUST FILE FORM 120.

**D. Expense Recapture, Mine Explorations**

Enter any expense recapture for mine exploration expenses included in income under federal law (see IRC § 617).

**E. Deferred Exploration Expenses**

Arizona law allows a subtraction for exploration expenses added to Arizona gross income on line A10, item B (refer to ARS § 43-1121(8)). The taxpayer claims the subtraction on a ratable basis as the units of produced ores or the minerals discovered or explored by reason of such expenditures are sold. Refer to Arizona Administrative Code rule AAC R15-2D-305 for detailed information regarding additional requirements.

Treat property sold in the same manner and on the same basis as other property held for the production of income. Refer to ARS § 43-1021(7) or to ARS § 43-1022(11).

**F. Exploration Expenses; Oil, Gas or Geothermal Resources**

Enter exploration expenses related to exploration of oil, gas, or geothermal resources. Compute the expenses in the same manner and on the same basis as a deduction for mine exploration under IRC § 617. The computation is subject to certain adjustments shown above for line A10, item B, and line B11, items D and E. Refer to Arizona Administrative Code rule AAC R15-2D-305 for detailed information regarding additional requirements.

**G. Arizona Amortization of Facilities and Equipment**

- **Pollution Control Devices**

Any taxpayer may choose to amortize the adjusted basis of any device, machinery, or equipment used for collection and control of the source of atmospheric and water pollutants and contaminants. The taxpayer may take the subtraction over a period of 60 months.

If a taxpayer chooses not to amortize pollution control devices over a period of 60 months, the taxpayer may take a deduction for depreciation computed under IRC § 167.

Refer to Arizona Administrative Code rule AAC R15-2D-306 for detailed information regarding additional requirements.

- **Cost of Child Care Facilities**

Any taxpayer operating a childcare facility for profit may elect to subtract any expenditure made to purchase, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction ratably over 60 months beginning with the month in which the taxpayer places the property in service.

Any taxpayer operating a childcare facility within Arizona, primarily for its employees' children, may elect to subtract expenditures made to acquire, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction over a period of 24 months, beginning with the month in which the taxpayer places the property in service.

The amortization is in lieu of federal depreciation or amortization on the facilities.

Refer to Arizona Administrative Code rule AAC R15-2D-307 for detailed information regarding additional requirements.

#### H. Interest on Federally Taxable Arizona Obligations

Enter the amount of interest income received on obligations of the State of Arizona, or any of its political subdivisions, included in federal taxable income. Omit interest income received on obligations of the State of Arizona, or any of its political subdivisions, exempt from federal taxation and not included in Arizona gross income.

Corporations should not make this adjustment on the corporation's Arizona tax return for such income included in the corporate partner's share of partnership income (loss). The partnership makes this adjustment on Form 165. The adjustment to Arizona basis from Form 165, Schedule K-1(NR), Part II, line 17, already includes this adjustment.

#### I. Expenses and Interest Relating to Tax Exempt Income

Enter expenses and interest relating to tax exempt income disallowed pursuant to IRC § 265 in the computation of Arizona gross income. Effective for taxable years beginning from and after December 31, 1996, this subtraction applies only to financial institutions as defined in ARS § 6-101.

#### J. Employer Contributions to Medical Savings Accounts

Enter the amount of contributions made by the taxpayer during the taxable year to medical savings accounts established on behalf of the taxpayer's employees as provided by ARS § 43-1028. The subtraction is allowed for such contributions to the extent that the contributions are not deductible by the taxpayer under the Internal Revenue Code.

#### K. Expenses Related to Certain Federal Tax Credits

Enter the amount of wages or salaries paid or incurred by the taxpayer for the taxable year not deducted in the computation of Arizona gross income if the taxpayer received certain federal tax credits. The specific federal tax credits are the work opportunity credit, the empowerment zone employment credit, the credit for employer-paid social security taxes on employee cash tips, and the Indian employment credit. This subtraction applies to taxable years beginning from and after December 31, 1996.

#### L. Claim of Right Adjustment

Enter the amount by which an Arizona capital loss carryover allowable pursuant to ARS § 43-1130.01(F), exceeds the federal capital loss carryover allowable pursuant to IRC § 1341(b)(5).

#### M. Deferred Deduction for Original Issue Discount

Enter the subtraction to income resulting from Arizona not adopting the federal deferral of deduction for original issue discount issued in debt-for-debt exchanges elected by the taxpayer under IRC § 108(i). In those years when the Internal Revenue Code permits this deduction, "other additions" will include an addition to income to prevent the taxpayer from taking the deduction twice.

**NOTE:** *If the taxpayer had this adjustment for 2009 and did not include it on the taxpayer's original corporate income tax return as an "other subtraction", the taxpayer must file an amended return and make this adjustment on the "subtractions" line of the Arizona amended return (2009 Arizona Form 120X).*

#### N. Inclusion of Discharge of Indebtedness Income

If the taxpayer included the discharge of indebtedness income in Arizona income in the year deferred federally (2009 or 2010), then when the income is included federally, the taxpayer is allowed a subtraction to avoid the income being taxed twice. Enter the amount of the federal inclusion.

#### O. Deduction for Cash Contributions for Haiti Earthquake Relief Made After January 11, 2010, and Before March 1, 2010

On the 2009 federal income tax return, corporations could elect to treat cash contributions for relief of victims of the earthquake in Haiti on January 12, 2010, that were made to qualified charities after January 11, 2010 and before March 1, 2010, as if the contributions were made on December 31, 2009, and not in 2010. Arizona did not adopt this federal provision; therefore, any contributions made in 2010 and deducted on the 2009 federal corporate income tax return must be added back on the 2009 Arizona corporate income tax return and the contributions will be allowed as 2010 contributions for Arizona income tax purposes.

Enter the amount of contributions made in 2010 that the taxpayer deducted on their 2009 federal return and added to Arizona income in 2009.

**NOTE:** *Do not take this deduction twice. If the taxpayer elected to take the contributions made in 2010 on the 2009 federal return, they must have included the amount of the contributions as an "other addition" on the original Arizona return or on the "additions" line on the amended Arizona return (2009 Arizona Form 120X).*

### Schedule C - Additional Information

Complete lines C1 through C6. Continue the answers on a separate sheet of paper if the answers are lengthy.

**Question C3:** List the name, title and telephone number of the individual who Department of Revenue employees may contact to schedule an audit of this return. Confidential information may be disclosed to a principal officer, any person designated by a principal officer, any person designated in a resolution by the corporate board of directors or other similar governing body, or to an individual designated as an authorized representative in a valid power of attorney. IF THIS INDIVIDUAL IS NOT A PRINCIPAL OFFICER, OR IS NOT DESIGNATED AS AN AUTHORIZED REPRESENTATIVE IN A VALID POWER OF ATTORNEY, THE TAXPAYER UNDERSTANDS AND AGREES THAT CONFIDENTIAL INFORMATION MAY BE DISCLOSED TO THIS INDIVIDUAL.

### Certification

One or more of the following officers (president, treasurer, or any other principal officer) must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the preparer's name and address, if self-employed). Enter the preparer's TIN, which is the firm's EIN or the individual preparer's social security number or preparer identification number.